RECORD
AND I
BRIEFS

FILED
AUG 31 2017
OFFICE OF THE CLERK
SUPREME COURT, U.S.

No. 16-712

IN THE

Supreme Court of the United States

OIL STATES ENERGY SERVICES, LLC,
Petitioner,

v.

GREENE'S ENERGY GROUP, LLC, *ET AL.*,
Respondents.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF THE PHARMACEUTICAL RESEARCH AND MANUFACTURERS OF AMERICA AS *AMICUS CURIAE* IN SUPPORT OF PETITIONER

JUSTIN B. WEINER
MOLOLAMKEN LLP
300 North LaSalle St.
Chicago, IL 60654

JAMES C. STANSEL
DAVID E. KORN
PHARMACEUTICAL RESEARCH AND MANUFACTURERS OF AMERICA
950 F Street, N.W.
Suite 300
Washington, D.C. 20004

JEFFREY A. LAMKEN
Counsel of Record
ERIC R. NITZ
JAMES A. BARTA
MOLOLAMKEN LLP
The Watergate, Suite 660
600 New Hampshire Ave., N.W.
Washington, D.C. 20037
(202) 556-2000
jlamken@mololamken.com

Counsel for Amicus Curiae

QUESTION PRESENTED

Whether *inter partes* review—an adversarial process used by the Patent and Trademark Office (PTO) to analyze the validity of existing patents—violates the Constitution by extinguishing private property rights through a non-Article III forum without a jury.

TABLE OF CONTENTS

	Page
Interest of *Amicus Curiae*	1
Summary of Argument	3
Argument	5
I. American Law Has Long Regarded Patent Rights as Private Property—Not Public Rights	7
A. For Centuries, the Courts, Congress, and Commentators Have Understood That Issued Patents Are Private Property	8
B. Common Sense Compels the Conclusion That Patents Are Private Property Rights	14
C. Analogous Areas of Law Confirm That Issued Patents Are Private Rights	16
D. The Federal Circuit Improperly Conflated the Process of Patent Issuance with the Status of Issued Patents	22
II. Constitutional Policy Recognizes Patents as Individual Property	28
III. Reversal Is Warranted	31
Conclusion	33

TABLE OF AUTHORITIES

Page(s)

CASES

Alden v. *Maine*, 527 U.S. 706 (1999) 11

Atlas Roofing Co. v. *Occupational Safety & Health Review Comm'n*, 430 U.S. 442 (1977) 3, 7, 14

BFP v. *Resolution Tr. Corp.*, 511 U.S. 531 (1994) 29

Brown v. *Duchesne*, 60 U.S. (19 How.) 183 (1857) 15

Butler v. *Pennsylvania*, 51 U.S. (10 How.) 402 (1851) 16

Cammeyer v. *Newton*, 94 U.S. 225 (1877) 8, 15

Cascades Projection LLC v. *Epson Am., Inc.*, 864 F.3d 1309 (Fed. Cir. 2017) 22

Cleveland v. *United States*, 531 U.S. 12 (2000) 7, 20, 21, 22

Cleveland Bd. of Educ. v. *Loudermill*, 470 U.S. 532 (1985) 26

Coll. Sav. Bank v. *Fla. Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666 (1999) 14

Colorado v. *New Mexico*, 467 U.S. 310 (1984) 29

Commodity Futures Trading Comm'n v. *Schor*, 478 U.S. 833 (1986) 27, 32

Consol. Fruit-Jar Co. v. *Wright*, 94 U.S. 92 (1877) 8

TABLE OF AUTHORITIES—Continued

Page(s)

Cont'l Paper Bag Co. v. *E. Paper Bag Co.*, 210 U.S. 405 (1908) 14

Coombes v. *Getz*, 285 U.S. 434 (1932) 16

Creede & Cripple Creek Mining & Milling Co. v. *Uinta Tunnel Mining & Transp. Co.*, 196 U.S. 337 (1905) 18

Curtis v. *Loether*, 415 U.S. 189 (1974) 32

Dolan v. *City of Tigard*, 512 U.S. 374 (1994) 14

Eldred v. *Ashcroft*, 537 U.S. 186 (2003) 19

Ex parte Bakelite Corp., 279 U.S. 438 (1929) 14

Ex parte Wood, 22 U.S. (9 Wheat.) 603 (1824) 8, 10

Feltner v. *Columbia Pictures Television, Inc.*, 523 U.S. 340 (1998) 10, 19

Fla. Prepaid Postsecondary Educ. Expense Bd. v. *Coll. Sav. Bank*, 527 U.S. 627 (1999) 7, 15, 32

Fox Film Corp. v. *Doyal*, 286 U.S. 123 (1932) 20

Fresenius USA, Inc. v. *Baxter Int'l, Inc.*, 721 F.3d 1330 (Fed. Cir. 2013) 25

Gutierrez-Brizuela v. *Lynch*, 834 F.3d 1142 (10th Cir. 2016) 25

Halstead v. *Grinnan*, 152 U.S. 412 (1894) 29

Horne v. *Dep't of Agric.*, 135 S. Ct. 2419 (2015) 15

Howey v. *Henry*, 12 F. Cas. 603 (C.C.D. Mass. 1846) 8

TABLE OF AUTHORITIES—Continued

Page(s)

Iron Silver Mining Co. v. *Campbell*, 135 U.S. 286 (1890) 17, 18, 19

James v. *Campbell*, 104 U.S. 356 (1882) 15

Johnson v. *Towsley*, 80 U.S. (13 Wall.) 72 (1871) ..... *passim*

Kimble v. *Marvel Comics Entm't, LLC*, 135 S. Ct. 2401 (2015) 30

Lynch v. *United States*, 292 U.S. 571 (1934) 16

McClurg v. *Kingsland*, 42 U.S. (1 How.) 202 (1843) 9, 12, 15, 26

McCormick Harvesting Mach. Co. v. *Aultman*, 169 U.S. 606 (1898) 9, 19, 22

MCM Portfolio LLC v. *Hewlett-Packard Co.*, 812 F.3d 1284 (Fed. Cir. 2015) ..... *passim*

Mich. Land & Lumber Co. v. *Rust*, 168 U.S. 589 (1897) 18

Moore v. *Robbins*, 96 U.S. 530 (1878) 18, 24, 25

Murray's Lessee v. *Hoboken Land & Improvement Co.*, 59 U.S. (18 How.) 272 (1856) 10

N. Alaska Envtl. Ctr. v. *Lujan*, 872 F.2d 901 (9th Cir. 1989) 18

Nidec Motor Corp. v. *Zhongshan Broad Ocean Motor Co.*, No. 16-2321, — F.3d —, 2017 WL 3597455 (Fed. Cir. Aug. 22, 2017) 33

Novartis AG v. *Noven Pharm. Inc.*, 853 F.3d 1289 (Fed. Cir. 2017) 25

TABLE OF AUTHORITIES—Continued

Page(s)

Patlex Corp. v. *Mossinghoff*, 758 F.2d 594 (Fed. Cir. 1985) 27

Plaut v. *Spendthrift Farm, Inc.*, 514 U.S. 211 (1995) 25

Printz v. *United States*, 521 U.S. 898 (1997) 11

Richmond Screw Anchor Co. v. *United States*, 275 U.S. 331 (1928) 16

SCA Hygiene Prods. Aktiebolag v. *First Quality Baby Prods.*, 137 S. Ct. 954 (2017) 19

Seymour v. *Osborne*, 78 U.S. (11 Wall.) 516 (1871) 8

Smelting Co. v. *Kemp*, 104 U.S. 636 (1880) 18

Soc'y for the Propagation of the Gospel in Foreign Parts v. *Town of New Haven*, 21 U.S. (8 Wheat.) 464 (1823) 9, 16

Star Salt Caster Co. v. *Crossman*, 22 F. Cas. 1132 (C.C.D. Mass. 1878) 14

Stern v. *Marshall*, 564 U.S. 462 (2011) ..... *passim*

United States v. *Am. Bell Tel. Co.*, 128 U.S. 315 (1888) 17

United States v. *Am. Bell Tel. Co.*, 167 U.S. 224 (1897) 28

United States v. *Beebe*, 127 U.S. 338 (1888) 29

United States v. *Maxwell Land-Grant Co.*, 121 U.S. 325 (1887) 29

United States v. *Schurz*, 102 U.S. 378 (1880) 4, 16, 18

TABLE OF AUTHORITIES—Continued

Page(s)

United States v. *Stone*, 69 U.S. (2 Wall.) 525 (1865) 17, 19

Wallace v. *Adams*, 204 U.S. 415 (1907) 14

Wellness Int'l v. *Sharif*, 135 S. Ct. 1932 (2015) 32

Whitney v. *Emmett*, 29 F. Cas. 1074 (C.C.E.D. Pa. 1831) 9

Wyeth v. *Stone*, 30 F. Cas. 723 (C.C.D. Mass. 1840) 8

CONSTITUTIONAL PROVISIONS, STATUTES, AND RULES

U.S. Const. art. I, §8, cl. 8 ..... 13, 20, 29

U.S. Const. art. IV, §3, cl. 2 ..... 16, 26

5 U.S.C. §8470(b) 24

17 U.S.C. §102 26

31 U.S.C. §3711(g)(9) 24

31 U.S.C. §3711(g)(9)(H) 24

31 U.S.C. §3716 24

31 U.S.C. §3720D 24

35 U.S.C. §2(a)(2)(A) 23

35 U.S.C. §2(b) 23

35 U.S.C. §251(a) 10

35 U.S.C. §261 ..... 4, 14

35 U.S.C. §284 15

35 U.S.C. §311 28

35 U.S.C. §312 28

35 U.S.C. §316(a) 28

TABLE OF AUTHORITIES—Continued

	Page(s)
35 U.S.C. § 316(d)	28
38 U.S.C. § 5302(a)	25
42 U.S.C. § 404(b)	25
Patent Act of 1790, ch. 7, 1 Stat. 109	10
§ 4, 1 Stat. at 111	10
Patent Act of 1793, ch. 11, 1 Stat. 318	3, 9, 10, 12
§ 1, 1 Stat. at 320	3, 9
§ 5, 1 Stat. at 322	10
§ 7, 1 Stat. at 322	12
§ 10, 1 Stat. at 323	10
Patent Act of 1836, ch. 357, 5 Stat. 117	10, 11, 13
§ 1, 5 Stat. at 117-118	13
§ 12, 5 Stat. at 121-122	10
§ 13, 5 Stat. at 122	10
§ 14, 5 Stat. at 123	10, 11
§ 15, 5 Stat. at 123	11
§ 16, 5 Stat. at 123-124	11
§ 17, 5 Stat. at 124	11
Patent Act of 1870, ch. 230, 16 Stat. 198	11
§ 59, 16 Stat. at 207	11
§ 60, 16 Stat. at 207	11
§ 61, 16 Stat. at 208	11
Patent Act of 1952, Pub. L. No. 82-593, 66 Stat. 792	10
Act of Apr. 21, 1792, ch. 25, 1 Stat. 257	12, 16
Act of May 5, 1792, ch. 30, 1 Stat. 266	12
Act of Jan. 21, 1808, ch. 13, 6 Stat. 70	12, 13
Act of Feb. 7, 1815, ch. 36, 6 Stat. 147	12
Act of Jan. 25, 1828, ch. 3, 6 Stat. 370	12

TABLE OF AUTHORITIES—Continued

Page(s)

Act of June 30, 1834, ch. 213, 6 Stat. 589 13
Act of July 2, 1836, ch. 336, 6 Stat. 678 12
Act of Feb. 2, 1838, ch. 6, 6 Stat. 702 12
Act of May 31, 1838, ch. 90, 6 Stat. 717 12
Pub. L. No. 96-517, 94 Stat. 3015 (1980) 27
Pub. L. No. 106-113, 113 Stat. 1501 (1999) 27
Sup. Ct. R. 37.6 1

LEGISLATIVE MATERIALS

H.R. Rep. No. 112-98, pt. 1 (2011) 28
S. Doc. 338, 24th Cong., 1st Sess. (1836) 11

EXECUTIVE MATERIALS

77 Fed. Reg. 48,680 (Aug. 14, 2012) 31

OTHER AUTHORITIES

Bruce W. Bugbee, *Genesis of American Patent and Copyright Law* (1967) 12

George Ticknor Curtis, *A Treatise on the Law of Patents for Useful Inventions* (4th ed. 1873) 13

Joseph A. DiMasi *et al.*, *Innovation in the Pharmaceutical Industry: New Estimates of R&D Costs*, 47 J. Health Econ. 20 (2016) 30

Frank H. Easterbrook, *Intellectual Property Is Still Property*, 13 Harv. J.L. & Pub. Pol'y 108 (1990) 26, 30

The Federalist No. 43 (Madison) (Rossiter ed., 2008) 20

TABLE OF AUTHORITIES—Continued

Page(s)

IPR Report, Vol. 16, *Harnessing Patent Office Litigation*, Harness Dickey (Dec. 16, 2016), available at http://ipr-pgr.com/wp-content/uploads/2017/03/IPR-PGR-Report-Vol.-16.pdf 28

Edmund W. Kitch, *The Nature and Function of the Patent System*, 20 J.L. & Econ. 265 (1977) 30, 31

Lisa Larrimore Ouellette, Note, *How Many Patents Does It Take To Make a Drug?*, 17 Mich. Telecomm. & Tech. L. Rev. 299 (2010) 30

PWC, *2017 Patent Litigation Study* (May 2017), https://www.pwc.com/us/en/forensic-services/publications/assets/2017-patent-litigation-study.pdf 15

William C. Robinson, *The Law of Patents for Useful Inventions* (1890) 11, 13, 14

USPTO, *General Information Concerning Patents* (Oct. 2015), https://www.uspto.gov/patents-getting-started/general-information-concerning-patents#heading-6 23

USPTO, *Patent Trial & Appeal Board Trial Statistics* (July 31, 2017), https://www.uspto.gov/sites/default/files/documents/Trial_Statistics_2017_07_31.pdf 33

Albert H. Walker, *Text-Book of the Patent Laws* (3d ed. 1895) 3, 13, 14

IN THE

Supreme Court of the United States

No. 16-712

OIL STATES ENERGY SERVICES, LLC,
Petitioner,

v.

GREENE'S ENERGY GROUP, LLC, *ET AL.*,
Respondents.

On Writ of Certiorari
to the United States Court of Appeals
for the Federal Circuit

BRIEF OF THE PHARMACEUTICAL RESEARCH AND MANUFACTURERS OF AMERICA AS *AMICUS CURIAE* IN SUPPORT OF PETITIONER

INTEREST OF *AMICUS CURIAE*

The Pharmaceutical Research and Manufacturers of America (PhRMA) is a voluntary, nonprofit association representing the Nation's leading research-based pharmaceutical companies.[1] PhRMA's members research and

---

[1] Pursuant to this Court's Rule 37.6, counsel for *amicus curiae* states that no counsel for a party authored this brief in whole or part. No counsel or party made a monetary contribution intended to fund the preparation or submission of this brief, and no person other than *amicus*, its members, or its counsel made such a contribution. All

develop innovative medicines, treatments, and vaccines that save, prolong, and improve the quality of the lives of countless individuals around the world every day.

The question in this case turns on the fundamental nature of patent rights. For two centuries of this Nation's history, an issued patent was—like other conveyances of property—not subject to withdrawal, revocation, or cancellation except on court order following judicial proceedings. In 2011, however, Congress created an adversary proceeding for the cancellation of already-granted (and potentially fully commercialized) patents; authorized the initiation of that proceeding at almost any point during a patent's life; and vested adjudicative authority over that proceeding in an administrative agency. Whether that "*inter partes* review" scheme comports with Article III and the Seventh Amendment requires the Court to evaluate whether issued patents are public rights—like tariffs or safe-working regulations—or private property.

PhRMA has a profound interest in that question. From 2000 to 2017, PhRMA members invested over half a *trillion* dollars in researching and developing new medicines. In 2016 alone, PhRMA members invested $65.5 billion in research and development. PhRMA member companies rely on the patent system to protect the innovations resulting from those enormous investments. Moreover, PhRMA's members are sometimes defendants in patent infringement actions. And PhRMA's members buy, sell, and license patents. PhRMA thus has unique and uniquely balanced insights on the implications of the issues before the Court, as well as the need for an ef-

---

parties have consented to the filing of this brief. Copies of letters granting consent have been filed with the Clerk.

ficient patent system that fosters, rewards, and protects innovation and competition alike.

SUMMARY OF ARGUMENT

From the earliest days of the Republic, courts and Congress understood that issued patents are property—just like granted rights in land and chattels—and must be protected as such. Whatever leeway Congress has to dictate the terms on which patents *issue*, cancellation and invalidation of *already-issued* patents must conform to the requirements applicable to private property. In this case, the Federal Circuit upheld *inter partes* review based on the mistaken view that patent rights are public rights, even after the patent is issued and vests. That misconception cannot be sustained. Text, history, and common sense all demonstrate that patents, once issued, are personal property, not public rights.

I-A. While the boundary between private and public rights has sometimes been unclear, disputes over private property have always fallen on the private-rights side of the line. For "[w]holly private tort, contract, and property cases," the public-rights doctrine is "not at all implicated." *Atlas Roofing Co.* v. *Occupational Safety & Health Review Comm'n*, 430 U.S. 442, 458 (1977). Once issued and vested, patents are property rights, not public rights. Courts have understood as much for at least a century and a half; so did Framing-era Congresses. The Patent Act of 1793, for example, identified patents as "exclusive property." Sec. 1, ch. 11, 1 Stat. 318, 320. As one early treatise concisely put it: "Patents are property." Albert H. Walker, *Text-Book of the Patent Laws* § 151 (3d ed. 1895).

Like their contemporary counterparts, early Congresses confronted issues of patent quality (and even fraudulent procurement). But, for nearly 200 years, Congress

addressed those issues by allowing the validity of issued patents to be challenged the way property rights are traditionally challenged—in court.

B. Issued patents have all the "attributes of personal property." 35 U.S.C. §261. Patents confer the right to exclude others, and to bring suit against those who invade that right. They can be bought, sold, and inherited. Patents are protected from government takings without compensation, from retroactive annulment by Congress, and from deprivation without due process. Public rights traditionally bear none of those hallmarks of private property.

C. Patents are similar to other government-conferred, private rights. Land patents and mining patents transfer property from the sovereign to individuals pursuant to a statutory scheme administered by an agency. Once issued, however, land and mining patents are "private rights of great value," *Johnson* v. *Towsley*, 80 U.S. (13 Wall.) 72, 84 (1871); the lands they cover "cease[ ] to be the land of the government," *United States* v. *Schurz*, 102 U.S. 378, 396-397 (1880). Copyrights are also "private rights," in large part because, like patents, they confer rights of exclusion. Even licenses that are not property in the hands of the government can become private property once issued to individuals. Once issued, patents are private property as well.

D. The Federal Circuit focused on the fact that patents exist by virtue of statute and are granted by an administrative agency. But that speaks to how patents come into existence—not whether they are private property once issued. Once a land patent or mining patent is issued—by an agency under statutory authority—the land at issue becomes private property, not a public right. Issuance is thus a watershed moment. Congress

may be able to grant agencies time-limited authority to corral mistakes in issuance before rights vest. But that does not include authority to continuously revisit and upset vested private property rights in perpetuity.

II. The Framers recognized that respect for private property was critical to the Nation's prosperity. The constitutional power "to secure" patent rights to inventors reflects that understanding. Our patent system can promote investment in research and development, and facilitate licensing of inventions, only if issued patents are accorded the respect accorded other forms of private property. Treating patents as public rights, as opposed to the private rights the Constitution directs Congress to "secur[e]," is inconsistent with constitutional goals.

III. The Federal Circuit upheld "*inter partes*" adversary litigation before an agency, over Seventh Amendment and Article III challenges, based on the erroneous view that issued patent rights are public rights rather than private property. That fundamental error at the threshold of the Federal Circuit's analysis infected everything that came after. Once a court determines that a right is private, it must at the very least apply "searching" scrutiny to any scheme that provides for adjudication of that right before an agency. That searching review may include inquiry into consent (not granted here), or consent's significance in the particular context. Because the Federal Circuit mistakenly deemed issued patents to be public rather than private property rights, its analysis fell short of the searching review required when private rights are at stake. Reversal is warranted.

ARGUMENT

Once issued to the inventor, patents are private property—not "public rights." This Court's cases, historical practice, the enactments of the earliest Congresses, and

common sense all reflect that understanding. The Constitution grants Congress authority to "promote the Progress of Science and useful Arts" by "securing" to inventors "the exclusive Right" to their inventions. Our patent system can achieve that constitutional goal only if patents are accorded the stability and respect that is due other forms of property. The pharmaceutical industry invests hundreds of billions of dollars in researching and developing new treatments to improve the health and welfare of the public across the globe. Those investments make sense only because the resulting intellectual property is respected as property.

The question presented in this case asks whether Congress exceeded constitutional boundaries by granting the Patent and Trademark Office (PTO)—an administrative agency—authority to conduct adversary adjudications over the invalidation of issued patents. How that question is answered hinges on whether patents, once issued, are private property. Congress may have broad authority to assign determinations about public-rights questions to administrative agencies. But efforts to assign adjudication of "private rights" outside of the judicial branch are at the very least subject to "searching" review. The Federal Circuit upheld *inter partes* review based on its conclusion that patents are public rights even after they are issued to inventors. That conclusion cannot be reconciled with text, history, or common sense. It may be that questions over *whether to issue* a patent in the first place are questions of public rights. But once the patent *has issued*, the rights it conveys are private property rights—no less than the right to land granted by a government-issued land patent or the right to a chattel conveyed by a government sale. Because the

Federal Circuit faltered at the very first step of the analysis, the judgment below cannot be sustained.

I. American Law Has Long Regarded Patent Rights As Private Property—Not Public Rights

While the boundary between "public" and "private" rights may not always have been clear, there should be no doubt that rights to private property fall on the "private rights" side of that divide. Whatever the scope of the "public rights" doctrine generally, "[w]holly private tort, contract, and *property* cases, * * * are not at all implicated" by it. *Atlas Roofing Co.* v. *Occupational Safety & Health Review Comm'n*, 430 U.S. 442, 458 (1977) (emphasis added). Because they concern the "liability of one individual to another under the law as defined," disputes over property are "matters 'of private right'"—not public rights. *Stern* v. *Marshall*, 564 U.S. 462, 489 (2011).

Because issued patents are private property, they—and disputes about them—likewise fall on the "private" side of the divide. Issued "[p]atents * * * have long been considered a species of property," like land and chattels. *Fla. Prepaid Postsecondary Educ. Expense Bd.* v. *Coll. Sav. Bank*, 527 U.S. 627, 642 (1999). For more than two centuries, the courts, Congress, and commentators have understood that issued patents are private property. That is true even though patent rights derive from government action. When the government is considering whether to grant property to an individual—whether through a utility patent or a land patent—the individual may have no "vested right." *Johnson* v. *Towsley*, 80 U.S. (13 Wall.) 72, 84 (1871). Some unissued rights in the government's hands may not even qualify as "property." Cf. *Cleveland* v. *United States*, 531 U.S. 12, 25-26 (2000).

But once the government has conferred property to a citizen, "title * * * passe[s] from the government," and any dispute concerning the property "bec[o]me[s] one of private right." *Johnson*, 80 U.S. (13 Wall.) at 87. Patents, *once issued*, are the private property of the inventors to whom they are issued, no less than issued land patents or other rights the government might confer.

A. For Centuries, the Courts, Congress, and Commentators Have Understood That Issued Patents Are Private Property

1. This Court and its members concluded long ago that patent rights, once issued, are private property. By 1824, this Court was already equating patents with "property." *Ex parte Wood*, 22 U.S. (9 Wheat.) 603, 608 (1824). Reiterating that conclusion nearly a century and a half ago, this Court observed that "[i]nventions secured by letters patent are property in the holder of the patent." *Seymour* v. *Osborne*, 78 U.S. (11 Wall.) 516, 533 (1871). Patent rights "rest[ ] on the same foundation" as other property, *Consol. Fruit-Jar Co.* v. *Wright*, 94 U.S. 92, 96 (1877), and are "as much entitled to protection as any other property," *Cammeyer* v. *Newton*, 94 U.S. 225, 226 (1877).

As one Justice summarized: "An inventor holds a property in his invention by as good a title as the farmer holds his farm and flock." *Hovey* v. *Henry*, 12 F. Cas. 603, 604 (C.C.D. Mass. 1846) (Woodbury, Circuit Justice). Justice Story agreed, describing patent infringement suits as cases about "private rights." *Wyeth* v. *Stone*, 30 F. Cas. 723, 728 (C.C.D. Mass. 1840). Patents thus concern "a question *of property, of private right*, unconnected with the public interest, and without any reference to the public, unless a case is made out of a design

to deceive them." *Whitney* v. *Emmett*, 29 F. Cas. 1074, 1080 (C.C.E.D. Pa. 1831) (Baldwin, Circuit Justice) (emphasis added).

This Court gave effect to that understanding early in this Nation's history. Because issued patents are property of the inventor, the Court held, Congress cannot rescind them by repealing the underlying patent law. *McClurg* v. *Kingsland*, 42 U.S. (1 How.) 202 (1843). Congress, the Court declared, could not "take away the rights of property in existing patents." *Id.* at 206. Permitting Congress to do so would contravene "well-established principles," *ibid.*, including the rule that the legislature cannot "extinguish[ ]" by repeal "rights of property already vested," *Soc'y for the Propagation of the Gospel in Foreign Parts* v. *Town of New Haven*, 21 U.S. (8 Wheat.) 464, 493-494 (1823).

In *McCormick Harvesting Machine Co.* v. *Aultman*, 169 U.S. 606 (1898), the Court likewise rebuffed the Executive's attempt "to set * * * aside" an already-issued patent. *Id.* at 609. Upon issuance, the patent "passed beyond the control and jurisdiction" of the Executive. *Id.* at 608. It became "the property of the patentee * * * entitled to the same legal protection as other property." *Id.* at 609. The Patent Office loses the "power to revoke, cancel or annul" a patent "upon [its] issue"; a contrary ruling would "deprive the applicant of his property without due process of law, and would be in fact an invasion of the judicial branch of the government by the executive." *Id.* at 612.

2. Early Congresses understood that patents confer property—"exclusive property," Patent Act of 1793, §1, ch. 11, 1 Stat. 318, 320—to inventors. The Patent Acts of 1790 and 1793 (as well as the 1836 Act) authorized a patentee to seek damages from infringers by affording them

"a right to sue at common law." *Ex parte Wood*, 22 U.S. at 608. This Court has "long recognized" that "'suit[s] at common law'" involve private rights—not public rights. *Stern*, 564 U.S. at 484 (quoting *Murray's Lessee* v. *Hoboken Land & Improvement Co.*, 59 U.S. (18 How.) 272 (1856)).

The 1790, 1793, and 1836 Patent Acts, moreover, specified the form of action, authorizing an "action on the case." Patent Act of 1836, § 14, ch. 357, 5 Stat. 117, 123; Patent Act of 1793, § 5, ch. 11, 1 Stat. 318, 322; Patent Act of 1790, § 4, ch. 7, 1 Stat. 109, 111. An "action on the case" was a then-commonplace form of action used to obtain "damages for invasions of other property rights." *Feltner* v. *Columbia Pictures Television, Inc.*, 523 U.S. 340, 349 (1998).

Indeed, for nearly 200 years—from 1790 until at least 1981—Congress provided only one mechanism for withdrawing wrongfully issued patent rights—an action in court. Patent Act of 1793, § 10, ch. 11, 1 Stat. 318, 323; Patent Act of 1836, § 12, ch. 357, 5 Stat. 117, 121-122; Pub. L. No. 82-593, § 281, 66 Stat. 792, 812 (1952).[2] That is consistent with the understanding that patents, once issued, become personal property entitled to the protections afforded land and other forms of property. If Congress thought vested patent rights were not personal property (but mere public rights), it surely would have attempted to create an administrative process to rescind wrongfully

---

[2] Since 1836, Congress has provided for "reissue[ ]" of "inoperative" or "defective" patents. Patent Act of 1836, § 13, ch. 357, 5 Stat. 117, 122; 35 U.S.C. § 251(a). But the inventor invokes that procedure, which allows him to voluntarily surrender the defective patent in exchange for a reissued patent that covers "the invention disclosed in the original patent." 35 U.S.C. § 251(a).

issued patents at some point during the first 190 years of the Republic's history. See *Printz* v. *United States*, 521 U.S. 898, 905 (1997) (If "earlier Congresses avoided use of this highly attractive power, we would have reason to believe the power was thought not to exist."). Yet it did not.

That inaction was not for lack of incentives. The 1793 Patent Act was blamed for a surge in low-quality patents for non-useful innovations, as well as "extensive and serious" frauds. See S. Doc. 338, 24th Cong., 1st Sess., at 3 (1836) (noting that the 1793 Act "open[ed] the door to frauds, which have already become extensive and serious" and that "[a] considerable portion of all the patents granted are worthless and void"). Through the Patent Act of 1836, Congress attempted to promote greater discernment in the issuance of patents, 1 William C. Robinson, *The Law of Patents for Useful Inventions* §§ 49-50 (1890), and it revamped procedures in the 1870 Patent Act as well, *id.* § 48. But questions concerning the validity of *granted* patents, like other property disputes, were left to the courts. See Patent Act of 1836, §§ 14-17, ch. 357, 5 Stat. 117, 122-124; Patent Act of 1870, §§ 59-61, ch. 230, 16 Stat. 198, 207-208; 2 Robinson, *supra*, §§ 721-730.

Simply put, despite myriad revisions to the patent laws spanning nearly two centuries, Congress consistently refused to treat issued patents as anything less than granted and vested property rights. "The 'numerousness of these statutes'" requiring the sort of process associated with private property, "'contrasted with the utter lack of statutes'" permitting an agency to rescind a patent without those protections, "suggests an assumed *absence* of such power." *Alden* v. *Maine*, 527 U.S. 706, 744 (1999). Indeed, only once did Congress (arguably)

purport to repeal issued patents itself—an effort this Court swiftly rebuffed. *McClurg*, 42 U.S. (1 How.) at 206-207.[3]

Congress has, of course, enacted private bills *granting* (or restoring or extending) patents. See, *e.g.*, Act of Jan. 25, 1828, ch. 3, 6 Stat. 370; Act of Feb. 7, 1815, ch. 36, 6 Stat. 147; Act of Jan. 21, 1808, ch. 13, 6 Stat. 70. As explained below, however, Congress's power to *grant* patent rights does not mean that *already-granted* patent rights are not property. See pp. 25-26, *infra*. Early Congresses also granted land patents. Act of Apr. 21, 1792, ch. 25, 1 Stat. 257; Act of May 5, 1792, ch. 30, 1 Stat. 266. Yet no one would say that land, once granted to an individual, is anything but that individual's private property. The same thing is true of utility patents once granted to inventors.[4]

---

[3] Congress even declined to rescind patents the States had granted before the Constitution's ratification. Before 1789, Congress lacked power to issue patents, and the States issued patents for inventions. See Bruce W. Bugbee, *Genesis of American Patent and Copyright Law* 84-103 (1967). Congress did not cancel those state patents. Instead, the Patent Act of 1793 required federal patent applicants to "relinquish[ ]" state patents as a condition of receiving federal patents. Patent Act of 1793, § 7, ch. 11, 1 Stat. 318, 322. That relinquishment, however, was voluntary; inventors could choose instead to retain existing state patents. See *ibid.* State-issued patents were likewise treated as property. While a few States had provided for cancellation by the legislature, they required the State to pay the patentee a significant sum as compensation. See Bugbee, *supra*, at 96-97. Such conditions functioned like buyout clauses.

[4] Even when Congress issued or extended patents, it regularly protected the interests of those who had already licensed or purchased the invention. See, *e.g.*, Act of May 31, 1838, ch. 90, 6 Stat. 717; Act of Feb. 2, 1838, ch. 6, 6 Stat. 702; Act of July 2, 1836, ch. 336,

The Constitution provides that Congress may promote scientific progress by "securing" for inventors the "exclusive Right[s]" in their inventions. U.S. Const. art. I, §8, cl. 8. Until recently, Congress confined itself to doing that. It created the Patent Office (Patent Act of 1836, §1, ch. 357, 5 Stat. 117, 117-118), sometimes extended patent terms (see p. 12, *supra*), and permitted inventors to retain state-issued patents (see p. 12 n.3, *supra*). Consistent with the Constitution's text, for 190 years, Congress's enactments *all* sought to "*secure*" private property to inventors. Congress did not understand itself to have authority to do the opposite—to *rescind* property rights, already issued and secured to the inventor—at least not without the protections that would apply to efforts to divest a citizen of any other form of property.

3. Although dedicated patent treatises first took hold midway through the 19th century, they recognized from the outset that issued patents are property. Reflecting on nearly 100 years of practice, they observed that "[p]atents are property." Albert H. Walker, *Text-Book of the Patent Laws* §151 (3d ed. 1895); see also 2 Robinson, *supra*, §752; George Ticknor Curtis, *A Treatise on the Law of Patents for Useful Inventions*, at xx (4th ed. 1873). That conclusion carried with it the expected implications. It meant that a patentee could transfer his title through an assignment or license. See 2 Robinson, *supra*, §752; Curtis, *supra*, §§167-168. It meant a patentee was entitled to compensation for use of his invention by the government. See Walker, *supra*, §157. And it meant Congress could not "destroy" or "impair"

---

6 Stat. 678; Act of June 30, 1834, ch. 213, 6 Stat. 589; Act of Jan. 21, 1808, ch. 13, 6 Stat. 70.

patent rights: "Patent rights, once vested, are * * * incapable of being divested by act of Congress." Walker, *supra*, §151; see 1 Robinson, *supra*, §46. In short, treatise writers from the earliest times recognized that patents are individual property rights—not public rights.

B. Common Sense Compels the Conclusion That Patents Are Private Property Rights

Common sense supports the same conclusion: Patent rights are in the nature of "[w]holly private * * * property" rights, *Atlas Roofing*, 430 U.S. at 458, and are nothing like public rights such as tariffs, *Ex parte Bakelite Corp.*, 279 U.S. 438, 458-461 (1929), tribal membership, *Wallace* v. *Adams*, 204 U.S. 415, 423-425 (1907), and working-condition regulations, *Atlas Roofing*, 430 U.S. at 441-442.

"The hallmark of a protected property interest is the right to exclude others." *Coll. Sav. Bank* v. *Fla. Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666, 673 (1999). Patent rights include that "'most essential stick[ ] in the bundle of rights that are commonly characterized as property.'" *Dolan* v. *City of Tigard*, 512 U.S. 374, 384 (1994). Indeed, "exclusion" has been said to be "of the very essence of the right conferred" by patents. *Cont'l Paper Bag Co.* v. *E. Paper Bag Co.*, 210 U.S. 405, 429 (1908). Patents can also be bought, sold, and inherited as "personal property." 35 U.S.C. §261; *Star Salt Caster Co.* v. *Crossman*, 22 F. Cas. 1132, 1136 (C.C.D. Mass. 1878) (Clifford, Circuit Justice) (holder of patent "may sell, assign, lease, or give away the property" as "with any other personal property"). Public rights, by contrast, share none of those attributes. No one would suppose that the public right to bring a citizen suit for Clean Water Act violations could be sold by one environmental group to another.

Patentees can sue private parties who infringe their patent rights for damages, see 35 U.S.C. §284—another traditional marker of private property rights. See *Stern*, 564 U.S. at 489. The resulting damages awards can be millions or hundreds of millions of dollars. PWC, *2017 Patent Litigation Study* 9 (May 2017), https://www.pwc.com/us/en/forensic-services/publications/assets/2017-patent-litigation-study.pdf. It blinks reality to suggest that those actions involve "public" rights akin to a citizen suit. The "'liability of one individual to another'" is quintessentially a question of private rights. *Stern*, 564 U.S. at 489.

Nor can the government "reserve to itself, either expressly or by implication," the prerogative of using a patent without negotiating a license. *James* v. *Campbell*, 104 U.S. 356, 358 (1882). That is because a patent, like other forms of personal property, "cannot be appropriated or used by the government itself, without just compensation." *Horne* v. *Dep't of Agric.*, 135 S. Ct. 2419, 2427 (2015) (quoting *James*, 104 U.S. at 358); see also *Cammeyer*, 94 U.S. at 234-235; *Brown* v. *Duchesne*, 60 U.S. (19 How.) 183, 198 (1857). Patents are also "included within the 'property' of which no person may be deprived by a State without due process of law." *Fla. Prepaid*, 527 U.S. at 642. And patents cannot be retroactively annulled, even after repeal of the law that authorized them. This Court long ago rejected the argument that Congress could "impair" a patentee's existing "right of property" by retroactively changing the criteria for patentability. *McClurg*, 42 U.S. (1 How.) at 206. That conclusion, the Court explained, derives from the general prohibition on legislative repeal of other private rights.

See *ibid.*; p. 9, *supra*.[5] That feature is common for private property rights—and less common for public rights. See *Lynch* v. *United States*, 292 U.S. 571, 577 (1934); *Coombes* v. *Getz*, 285 U.S. 434, 441-442 (1932); *Butler* v. *Pennsylvania*, 51 U.S. (10 How.) 402, 416 (1851); *Soc'y for Propagation of Gospel*, 21 U.S. (8 Wheat.) at 493-494. Those characteristics belie the notion that patent rights, once issued, are anything but private property.

C. Analogous Areas of Law Confirm That Issued Patents Are Private Rights

Patents share many characteristics with other rights having statutory origins, including land patents, mineral patents, and copyrights. Precedent from those areas of law confirms that, once patents are issued, they are the personal property of the grantee.

1. From the time of the Framing, Congress and the Executive have transferred public property—lands owned by the federal government—to private citizens through land patents. See, *e.g.*, *United States* v. *Schurz*, 102 U.S. 378, 396-397 (1880); Act of Apr. 21, 1792, ch. 25, 1 Stat. 257. Like utility patents, Congress's authority to issue land patents derives from a specific constitutional provision—in the case of land patents, art. IV, § 3, cl. 2, which gives Congress the "Power to dispose of * * * Property belonging to the United States." "[T]here is a striking similarity" in that clause and the one "conferring the power upon the government under which patents are

---

[5] Indeed, to avoid "serious * * * constitutional[ ]" questions, this Court refused to interpret a statute to "take away" a patent holder's right to sue government contractors for infringement. *Richmond Screw Anchor Co.* v. *United States*, 275 U.S. 331, 345-346 (1928).

issued for inventions." *United States* v. *Am. Bell Tel. Co.*, 128 U.S. 315, 358 (1888).

Indeed, as with utility patents, Congress has sometimes exercised the power to issue land patents directly, but has generally exercised its powers by establishing laws implemented by the Executive Branch. *Am. Bell*, 128 U.S. at 357-359. Like their intellectual property cousin, land patents are thus issued by virtue of statute and are administered by an Executive agency. This Court has long recognized the analogy between government-issued utility patents and land patents. "The power * * * to issue a patent for an invention, and the authority to issue such an instrument for a grant of land, emanate from the same source" and "are of the same nature, character and validity." *Id.* at 358-359.

Land patents, once issued, represent private property, not public rights. Granted land patents are "*private rights* of great value." *Johnson*, 80 U.S. (13 Wall.) at 84 (emphasis added). That is because an issued land patent confers a "vested right," *id.* at 84-85—"title" in the property that is the subject of the patent, *United States* v. *Stone*, 69 U.S. (2 Wall.) 525, 535 (1865). Consequently, issued land patents cannot be canceled by the Executive without resort to judicial process. As this Court has explained, cancellation or annulment of an issued land patent "is a judicial act, and requires the judgment of a court." *Ibid.* The act of invalidating a land patent "is always and ultimately a question of judicial cognizance," *Iron Silver Mining Co.* v. *Campbell*, 135 U.S. 286, 293 (1890)—"the very essence of judicial authority," *Johnson*, 80 U.S. (13 Wall.) at 85.

For over a century, mining patents too have been conferred on individuals by executive agencies under federal statutes. But, for nearly as long, this Court has recog-

nized that such patents confer a "fee simple title" in the grantee. *Creede & Cripple Creek Mining & Milling Co.* v. *Uinta Tunnel Mining & Transp. Co.*, 196 U.S. 337, 347 (1905); see *Smelting Co.* v. *Kemp*, 104 U.S. 636, 653 (1880) ("The object in allowing patents is to vest the fee in the miner * * * ."). The patent's issuance thus removes the patent from the Executive's reach. Whereas the "government or private individuals can contest an unpatented claim" in an administrative proceeding, such a challenge "cannot be brought against a patented claim." *N. Alaska Envtl. Ctr.* v. *Lujan*, 872 F.2d 901, 904 n.2 (9th Cir. 1989). The "only way in which the title" from a mining patent "can be impeached is by a bill in chancery." *Iron Silver Mining*, 135 U.S. at 301.

That such patents have their origins in government action, through a government program, subject to statutory requirements as a precondition to their issuance, makes no difference. Once a land patent is issued, the "land has ceased to be the land of the government" and "legal title has passed from the government" to the patent's recipient. *Schurz*, 102 U.S. at 402; see also *Mich. Land & Lumber Co.* v. *Rust*, 168 U.S. 589, 593 (1897) ("After the issue of the patent the matter becomes subject to inquiry only in the courts and by judicial proceedings."); *Moore* v. *Robbins*, 96 U.S. 530, 533 (1878) (issuance of patent "passes away all authority or control of the Executive Department over the land, and over the title which it has conveyed"). Once "the government has issued and delivered" a mining patent, "the control of the department over the title to such land has ceased" as well. *Iron Silver Mining*, 135 U.S. at 301. Control over land and natural resources is undoubtedly a matter of great import to this Nation's prosperity, economic development, and security. But once the patent issues, the

land becomes the patentee's private property, entitled to all the protections accorded other forms of private property.

Utility patents are no different. In *McCormick*, for example, this Court relied heavily on land-patent precedents to hold that the "only authority competent to set a [utility] patent aside, or to annul it, or to correct it for any reason whatever, is vested in the courts of the United States." 169 U.S. at 609 (citing *Stone*, 69 U.S. (2 Wall.) at 535, and *Iron Silver Mining*, 135 U.S. at 286); see p. 9, *supra*. That holding rested on constitutional principles derived from the fact that patents, once issued, are private property: An examiner's "attempt to cancel a patent upon an application for reissue * * * would be to deprive the applicant of his property without due process of law." *McCormick*, 169 U.S. at 612. Issued patents—whether in real or intellectual property—convey private property to the recipient.

2. This Court looks to patent principles when addressing copyright questions given their common origins. See, *e.g.*, *Eldred* v. *Ashcroft*, 537 U.S. 186, 201 (2003); see *SCA Hygiene Prods. Aktiebolag* v. *First Quality Baby Prods.*, 137 S. Ct. 954, 960-961 (2017). And copyrights are unquestionably private property. As explained above, this Court has held that "'matters of common law'" and "'traditional actions at common law'" are private rights. *Stern*, 564 U.S. at 484. And copyright infringement was a traditional action at common law. "[T]he common law and statutes in England and this country granted copyright owners causes of action for infringement," which were "tried in courts of law, and thus before juries." *Feltner*, 523 U.S. at 348-349. That was equally true of statutory and common law copyrights. *Id.* at 353. Moreover, copyrights possess all the

qualities of traditional property, including the right to exclude others and the capacity to be bought, sold, and transferred. See *Fox Film Corp.* v. *Doyal*, 286 U.S. 123, 127 (1932).

Issued patents are no less private property than copyrights. Patents and copyrights share the same hallmarks of private property. They spring from the same constitutional provision—indeed, from the same sentence. U.S. Const. art. I, §8, cl. 8. And the Framers understood them both to convey the same sort of right on inventors and authors. As James Madison wrote, "[t]he copyright of authors has been solemnly adjudged in Great Britain to be a right of common law. The right to useful inventions seems with equal reason to belong to the inventors." *The Federalist No. 43*, at 268 (Madison) (Rossiter ed., 2008). Just as copyrights are "a right of" authors, patents "belong to"—they are property of—the inventors.

3. This Court's (somewhat less analogous) criminal-law jurisprudence confirms that *issued* patents are private property, even if *unissued* patents are not. In *Cleveland*, for example, this Court addressed the scope of the mail-fraud statute, which prohibits fraudulent schemes to obtain another's "property" using the mails. 531 U.S. at 18-19. The Court held that the mail-fraud statute does not reach fraudulent acquisition of "a state or municipal license [because] such a license is not 'property' in the government regulator's hands." *Id.* at 20. Prior to issuance, such licenses were "regulatory" and "paradigmatic exercises of the States' traditional police powers." *Id.* at 23.

The Court recognized, however, that the character of the licenses fundamentally changes once they are issued to private individuals. Upon issuance, such licenses "be-

come property in the recipient's hands." *Cleveland*, 531 U.S. at 15. In other words, such grants are individual property even though they were initially granted by the government in service of a regulatory goal. That conclusion applies with special force in the patent context, where the right's historical pedigree and attributes—including the right to exclude others—make clear that it becomes the inventor's personal property upon issuance. As the government's brief in *Cleveland* observed: "It is well established that patents are a 'species of property.'" U.S. Br. at 33-34, *Cleveland* v. *United States*, 531 U.S. 12 (2000) (No. 99-804) (citing cases).

This Court agreed with that assessment in *Cleveland*, even as it rejected the government's other arguments. The government had attempted to "compare[ ] the State's interest in" not-yet-issued "poker licenses to a patent holder's interest in" an issued "patent that she has not yet licensed." *Cleveland*, 531 U.S. at 23. Rejecting the comparison, the Court explained that *unissued* licenses could not be analogized to *issued* patents. The "better analogy" for unissued licenses was "to the Federal Government's interest in an *unissued* patent." *Ibid.* (emphasis added). But the Court left no doubt that *issued* patents are private property belonging to the inventor. An issued patent, it explained, could be sold and carried the "'attributes of personal property.'" *Ibid.* If an issued patent is private property of the inventor for purposes of trade—and for criminal prosecutions—then surely it must be private property when courts consider whether adversary proceedings to take it away can be vested in an administrative agency.

D. The Federal Circuit Improperly Conflated the Process of Patent Issuance with the Status of Issued Patents

In *MCM Portfolio LLC* v. *Hewlett-Packard Co.*, 812 F.3d 1284, 1290 (Fed. Cir. 2015), the Federal Circuit held that patents are public rights because the PTO issues them through a "federal regulatory scheme." The Federal Circuit also relied on the fact that patents are issued pursuant to statute. *Id.* at 1293; see *Cascades Projection LLC* v. *Epson Am., Inc.*, 864 F.3d 1309, 1311 (Fed. Cir. 2017) (Dyk, J., concurring in denial of rehearing *en banc*, joined by the other two members of the *MCM* panel). That reasoning is insufficient.

1. The Federal Circuit's assertion that patents are *issued* by the PTO as part of a "federal regulatory scheme" doubly fails. First, it looks at the wrong end of the elephant. The PTO's operations for *issuing* patents in the first instance may involve a regulatory process, and that process may even involve questions of "public rights." But once the patent has *been issued*, the patent and the rights inhering in it become the inventor's *private* property. See pp. 8-14, *supra*. This Court made exactly that point in connection with land patents, *Johnson*, 80 U.S. (13 Wall.) at 87 ("after the title had passed from the government, * * * the question became one of private right"); state-issued licenses, *Cleveland*, 531 U.S. at 15 (licenses "bec[a]me property in the recipient's hands"); and utility patents themselves, *McCormick*, 169 U.S. at 612 ("attempt to cancel a patent upon an application for reissue * * * would be in fact an invasion of the judicial branch of the government by the executive").

Second, it is wrong to describe issued patents as part of a "regulatory scheme." Patents bear no resemblance to licenses from the FDA or other regulators, where

maintenance of the license requires continuous interaction "'between the Government and persons subject to its authority in connection with the performance of the constitutional functions.'" *Stern*, 564 U.S. at 489. The PTO does not monitor, control, or regulate the assertion and use of the patents it issues. To the contrary, the PTO is "responsible" only "for the granting and issuing of patents" and for "disseminating to the public information with respect to patents." 35 U.S.C. §2(a)(2)(A). It has rulemaking authority only with respect to "the conduct of proceedings in the [PTO]." *Id.* §2(b). It neither has, nor attempts to exercise, authority over the use or assertion of patents once they are issued; other than receiving maintenance fees, it has virtually no involvement at all. See USPTO, *General Information Concerning Patents* (Oct. 2015), https://www.uspto.gov/patents-getting-started/general-information-concerning-patents#heading-6 ("The USPTO has no jurisdiction over questions of infringement and the enforcement of patents."). Issued patents are no more part of a "regulatory scheme" than, for example, formerly federal lands the government conveyed to homesteaders (or surplus chattels sold by the government). Once conveyed, the use of that property is in the hands of the patentee.

Nor does it matter that, in conducting *inter partes* review, the PTO may in some sense reconsider whether it should have issued the patent in the first instance. *MCM*, 812 F.3d at 1291 (suggesting that it "would be odd" if the PTO could not be authorized "to reconsider its own decisions"). *Inter partes* review is not a time-limited reconsideration process that allows further agency contemplation before rights vest. It is an adversary adjudication used to challenge patents long after they have issued and vested—indeed, after millions may have been

invested in commercialization—that can take place almost any time during a patent's life. This Court has already rejected the notion of an infinite reconsideration period in the land-patent context, and with good reason. If the "right to reconsider and annul a [land] patent after it has once become perfect exists in the Executive Department," the Court explained, "it can be exercised at anytime, however remote." *Moore*, 96 U.S. at 534. That "is utterly inconsistent with the universal principle on which the right of private property is founded." *Ibid.*; see pp. 17-19, *supra*. Once private property is granted and vests in the inventor, the time for reconsideration ends. The first two Patent Acts thus required the Executive to go to court to cancel even *fraudulently* procured patents. See pp. 10-11, *supra*.

The government's attempt to analogize *inter partes* review to statutes that "allow agencies to correct their own errors" and "recover[] erroneous disbursements of money to private parties," U.S. Br. in Opp. 12, practically disproves itself. The cited debt-collection statutes, for example, provide administrative process *only* for *offsets from future* payments and wages. See 31 U.S.C. §§3711(g)(9), 3716, 3720D. Property already issued to the debtor cannot be reached *except* by "litigation or foreclosure." *Id.* §3711(g)(9)(H). Those statutes thus reflect a distinction that pervades the law—between withholding not-yet issued property from an individual, and attempting to seize or destroy already-issued, vested property rights. The government ignores that distinction.[6]

---

[6] Those statutes also preclude governmental recovery where the recipient was not at fault for the erroneous disbursements, 5 U.S.C.

Inter partes review, moreover, has been extended well beyond allowing the agency to reconsider its *own* decisions. The PTO uses *inter partes* review to reconsider—and effectively overturn—decisions of Article III courts. See, *e.g.*, *Novartis AG* v. *Noven Pharm. Inc.*, 853 F.3d 1289, 1293 (Fed. Cir. 2017). Under the AIA, the PTO claims authority to invalidate a patent even after a district court has held it not invalid, and even after that judgment has been affirmed on appeal—in litigation involving the very same arguments—so long as some collateral matter is still in litigation. *Ibid.*; cf. *Fresenius USA, Inc.* v. *Baxter Int'l, Inc.*, 721 F.3d 1330, 1344 (Fed. Cir. 2013) (same result in *ex parte* reexamination); *id.* at 1348 (Newman, J., dissenting). Permitting an agency to "tell [a court] to reverse [its] decision like some sort of super court of appeals" raises grave separation-of-powers concerns. *Gutierrez-Brizuela* v. *Lynch*, 834 F.3d 1142, 1150 (10th Cir. 2016) (Gorsuch, J., concurring); cf. *Plaut* v. *Spendthrift Farm, Inc.*, 514 U.S. 211, 228 (1995) (Congress may not, consistent with "separation-of-powers" principles, "depriv[e] judicial judgments of * * * conclusive effect.").

2. The Federal Circuit also invoked the fact that patent rights exist by virtue of statute. *MCM*, 812 F.3d at 1290-1291. That, however, cannot deprive issued patents of their status as personal property. Land and mining patents, which grant individuals property formerly owned by the government, likewise exist only by virtue of the various statutes under which they are authorized and administered. *Moore*, 96 U.S. at 531. Indeed, statutory

---

§ 8470(b), and where recovery is against equity and good conscience, 38 U.S.C. § 5302(a); 42 U.S.C. § 404(b).

authorization to dispose of such property is constitutionally required. U.S. Const. art. IV, §3, cl. 2. Nonetheless, land and mining patents confer private rights. See *Johnson*, 80 U.S. (13 Wall.) at 84-85; see pp. 16-19, *supra*.

Today's farmers would surely be surprised to learn that the fields they have worked for generations are not their private property, but public rights the Department of Interior can reconsider any time so long as title traces back to a centuries-old, statutorily authorized land grant. Copyrights are governed by statute as well. See, *e.g.*, 17 U.S.C. §102. But they are considered private rights. See pp. 19-20, *supra*. Patents are no different.[7]

3. The Federal Circuit likewise erred to the extent it assumed that Congress, while authorizing the issuance of patents, could preclude them from being property by providing for continuous *inter partes* reconsideration throughout the patents' lifespans. For one thing, the patents before the Court in this case were not so limited. They were issued before the effective date of the AIA and the creation of the *inter partes* review process at issue. Pet. App. 5. This Court held long ago that Congress cannot, by statute, retroactively "impair the right of property then existing in a patentee." *McClurg*, 42 U.S. (1 How.) at 206.

Besides, "'[p]roperty' cannot be defined by the procedures provided for its deprivation." *Cleveland Bd. of*

---

[7] Patents undoubtedly affect the public by restricting use of innovations for limited times. But that is true of other property. "Intellectual property is intangible, but the right to exclude is no different in principle from General Motors' right to exclude Ford from using its assembly line * * *." Frank H. Easterbrook, *Intellectual Property Is Still Property*, 13 Harv. J.L. & Pub. Pol'y 108, 109 (1990).

Educ. v. *Loudermill*, 470 U.S. 532, 541 (1985). Patent rights are private rights. They do not become something less based on the procedures Congress establishes for their deprivation. The procedures for terminating a vested property right do not determine whether that right is public or private. Rather, the status of the right determines the procedures needed to terminate it. See *Commodity Futures Trading Comm'n* v. *Schor*, 478 U.S. 833, 853 (1986). Were it otherwise, Congress could transform a right from private to public "simply by deeming it part of some amorphous 'public right,' [and] Article III would be transformed from the guardian of individual liberty and separation of powers * * * into mere wishful thinking." *Stern*, 564 U.S. at 495.

4. Finally, the Federal Circuit placed undue weight on the existence of *ex parte* and *inter partes* reexaminations before the PTO. *MCM*, 812 F.3d at 1290-1291. *Ex parte* reexaminations were first authorized in 1980, and *inter partes* reexaminations were first authorized in 1999. Pub. L. No. 96-517, 94 Stat. 3015 (1980); Pub. L. No. 106-113, 113 Stat. 1501 (1999). Those procedures do not have a historical pedigree that approaches even bell-bottoms or MTV, much less anything that would have been familiar to the Framers. Patents were private rights for nearly two centuries before reexamination proceedings were a glimmer in anyone's eye. That history controls the constitutional analysis of more recent enactments—not the other way around. Moreover, as explained above, Congress cannot convert private property into public rights by enacting new procedures to terminate those rights. And, while the Federal Circuit upheld *ex parte* reexaminations, it made the same error it repeated here—its ruling rested on the assertion that patents are public rights. *Patlex Corp.* v. *Mossinghoff*,

758 F.2d 594, 604 (Fed. Cir. 1985). Recycling that mistaken rationale in this context just compounds the error.

Besides, *ex parte* and *inter partes* reexaminations are, as their names suggest, *examinational* rather than adversarial proceedings. By contrast, *inter partes* reviews are initiated by a private adversary who pursues an invalidity case against the patent owner. See 35 U.S.C. §§311-312, 316(a), (d). Congress intended *inter partes* review to "convert[] inter partes reexamination from an examinational to an adjudicative proceeding." H.R. Rep. No. 112-98, pt. 1, at 46 (2011). Nearly 80% of all petitions for *inter partes* review relate to district court litigation involving the same parties. See IPR Report, Vol. 16, *Harnessing Patent Office Litigation*, Harness Dickey (Dec. 16, 2016), available at http://ipr-pgr.com/wp-content/uploads/2017/03/IPR-PGR-Report-Vol.-16.pdf.

The distinction between adversarial proceedings and examinational ones may mean that the procedures for *inter partes* review now before the Court and reexaminations (not before the Court) will follow different constitutional paths. See *United States* v. *Am. Bell Tel. Co.*, 167 U.S. 224, 264-265 (1897) (ruling that government could "discharge its obligations to the public" by bringing a lawsuit "to set aside one of its patents" when wrongly issued, but that it could not bring "suit simply to help an individual; making itself, as it were, the instrument by which the right of that individual against the patentee can be established"). But it cannot change the fact that patents, once issued, are the personal and private property of the inventor to whom they are issued.

II. Constitutional Policy Recognizes Patents As Individual Property

Private property is the foundation of this Nation's economic prosperity. It is the stability of property rights,

and the legal protection accorded them, that "induces * * * willingness to improve property in possession." *Halstead* v. *Grinnan*, 152 U.S. 412, 416 (1894); see *Colorado* v. *New Mexico*, 467 U.S. 310, 316 (1984); *BFP* v. *Resolution Tr. Corp.*, 511 U.S. 531, 544 (1994) (recognizing "essential state interest" in "'security of the titles to real estate'"). As this Court explained (with respect to federally granted land patents), "the immense importance and necessity of the stability of titles dependent upon these official instruments" cannot "be dependent upon the hazard of successful resistance to the whims and caprices of every person who chooses to attack them." *United States* v. *Maxwell Land-Grant Co.*, 121 U.S. 325, 381 (1887). Commerce in land "rest[s] upon faith in the patent issued by the United States Government." *United States* v. *Beebe*, 127 U.S. 338, 348 (1888).

The Framers recognized that intellectual property is no different. The Constitution they adopted does not merely authorize Congress to "promote the Progress of Science and useful Arts," but also directs the means for accomplishing the goal—"by *securing* to authors and inventors the exclusive right to their respective Writings and Discoveries." Art. I, §8, cl. 8. (emphasis added). Deeming patents to be public rather than property rights—and thus subject to continuous potential agency reconsideration and withdrawal throughout a patent's lifespan without searching judicial scrutiny—is inconsistent with both the constitutional delegation of authority and accompanying goal. Patents encourage innovation precisely because, once granted, they give patent owners a property right that has the hallmarks of and is accorded the same solicitude as other property rights. Recognizing the special need for stability in this context, this Court accords its patent rulings particular stare

decisis effect: For "property (patents) and contracts (licensing agreements)," the Court has held, "considerations favoring stare decisis are 'at their acme.'" *Kimble* v. *Marvel Comics Entm't, LLC*, 135 S. Ct. 2401, 2410 (2015).

The need for stability and respect is nowhere more pressing than when it comes to developing potentially life-saving medications. It requires on average $2.6 billion in research and development to bring a single, new drug to market. Joseph A. DiMasi *et al.*, *Innovation in the Pharmaceutical Industry: New Estimates of R&D Costs*, 47 J. Health Econ. 20, 31 (2016). Few drugs make it to clinical testing, and fewer than 12% that enter clinical studies ever receive FDA approval. *Id.* at 23. Such huge investments are justified only because, in the end, inventors can obtain a property interest—a patent. Lisa Larrimore Ouellette, Note, *How Many Patents Does It Take To Make a Drug?*, 17 Mich. Telecomm. & Tech. L. Rev. 299, 303 (2010) (collecting studies).

Patents—like other property interests—are also critical to the cooperation upon which commerce and progress depend. Patents "convey rights to coordinate development." Easterbrook, *supra*, at 111. "[T]he patent owner" is "in a position to coordinate the search for technological and market enhancement" by licensing his discovery to others. Edmund W. Kitch, *The Nature and Function of the Patent System*, 20 J.L. & Econ. 265, 276 (1977). The "patent system lowers the cost for the owner of technological information of contracting with other firms possessing complementary information and resources." *Id.* at 277. For example, patents allow start-ups with fewer resources to reveal discoveries to larger organizations, and potentially obtain their support and

cooperation, with greater security than contractual confidentiality provisions could provide. *Id.* at 278-279.

Patents cannot achieve those goals—they fail to "secur[e]" the inventor in his rights—if they are accorded lesser respect than other forms of property. Property that is subject to a regime of virtually unlimited, continuous agency reconsideration and revocation throughout its lifespan, without searching scrutiny of that regime by this Court, is not really property at all. For at least 190 years, this Court and Congress treated patents accordingly. In the last 40 years, however, Congress has given us *ex parte* reexamination, *inter partes* reexamination, *inter partes* review, and other means for an agency to invalidate already-granted and potentially fully commercialized patents. 77 Fed. Reg. 48,680 (Aug. 14, 2012). Because the rights inhering in *issued* patents are individual property—no less than land issued under land patents, minerals subject to mining patents, or the rights secured by a copyright—that novel mechanism at the very least must be subjected to "searching review."

III. Reversal Is Warranted

The Federal Circuit resolved the issues before this Court based on the erroneous premise that patents, even after issuance, are public rights. With respect to Article III, the Federal Circuit concluded that "patent rights are public rights," *MCM*, 812 F.3d at 1293, and deemed that conclusion largely determinative, *id.* at 1290. The Federal Circuit short-circuited its Seventh Amendment analysis based on the same error. "Because patent rights are public rights," it declared, "the Seventh Amendment poses no barrier to agency adjudication without a jury." *Id.* at 1293. But *issued* patents—granted to and vested in inventors—are private property, not public rights. Because the Federal Circuit erred at the first step, it

never conducted a proper Article III and Seventh Amendment analysis.

For example, while "the distinction between public rights and private rights" may not be "determinative for Article III purposes," it affects the analysis profoundly. *Schor*, 478 U.S. at 853. The "'danger of encroaching on the judicial power' is less" grave when public rights are at issue, but more serious "when private rights * * * are relegated as an initial matter to administrative adjudication." *Id.* at 854. Consequently, where private rights are at stake, courts must at least conduct "searching" scrutiny to ensure that the "adjudicative function does not create a substantial threat to the separation of powers." *Ibid.* That "searching" review may examine consent, *Stern*, 564 U.S. at 491—there was none here—or whether consent can obviate the particular intrusion, *Wellness Int'l* v. *Sharif*, 135 S. Ct. 1932, 1946 (2015); *id.* at 1956-1957 (Roberts, C.J., dissenting). Because the Federal Circuit erroneously held that patents embody "public rights," it departed from the "searching" scrutiny that (at a minimum) is required when private rights are at stake.

Nor did the Federal Circuit address the separation-of-powers concerns that arise when an administrative agency has the ability to contravene the judgment of a district court. See p. 25, *supra*. And for the same reason, the Federal Circuit never conducted a proper Seventh Amendment inquiry. For example, because it erroneously ruled patents to be public rights, the Federal Circuit did not address whether invalidity challenges were part of the "right to jury trial as it existed in 1791." *Curtis* v. *Loether*, 415 U.S. 189, 193 (1974).

Moreover, while patents "are surely included within the 'property' of which no person may be deprived by a State without due process of law," *Fla. Prepaid*, 527 U.S.

at 642, the Federal Circuit has yet to seriously address the due-process issues raised by *inter partes* review. That procedure has an extraordinarily lopsided track record. Roughly two-thirds of petitions are granted, and at least one claim is found unpatentable 82% of the time. See USPTO, *Patent Trial and Appeal Board Trial Statistics* (July 31, 2017), https://www.uspto.gov/sites/default/files/documents/Trial_Statistics_2017_07_31.pdf. Procedural unfairness creates grave concerns as well. For example, the same panel decides whether to institute review and then decides the review on the merits. And the PTO has admitted to reconfiguring panels to alter outcomes. See *Nidec Motor Corp.* v. *Zhongshan Broad Ocean Motor Co.*, No. 16-2321, — F.3d —, 2017 WL 3597455, at *6 (Fed. Cir. Aug. 22, 2017) (Dyk, J., concurring) (describing panel-packing practice). For those reasons—and because the Federal Circuit short-circuited its analysis with error at the outset—the decision below cannot be sustained.

CONCLUSION

The judgment of the court of appeals should be reversed.

Respectfully submitted.

JUSTIN B. WEINER
MOLOLAMKEN LLP
300 North LaSalle St.
Chicago, IL 60654

JAMES C. STANSEL
DAVID E. KORN
PHARMACEUTICAL RESEARCH AND MANUFACTURERS OF AMERICA
950 F Street, N.W.
Suite 300
Washington, D.C. 20004

JEFFREY A. LAMKEN
Counsel of Record
ERIC R. NITZ
JAMES A. BARTA
MOLOLAMKEN LLP
The Watergate, Suite 660
600 New Hampshire Ave., N.W.
Washington, D.C. 20037
(202) 556-2000
jlamken@mololamken.com

Counsel for Amicus Curiae

August 2017